Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of End User Common Line Charges	CC Docket No. 95-72

NYNEX COMMENTS

The NYNEX Telephone Companies

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TABLE OF CONTENTS

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The NYNEX Telephone Companies[1] ("NTCs") hereby file their Comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above-referenced proceeding.

I. Introduction and Summary

In the *NPRM*, the Commission seeks comments on the application of end user common line ("EUCL") charges to services that provide multiple voice-grade channels over a single facility, such as Integrated Services Digital Network ("ISDN") and FlexPath.[2] In recent decisions concerning a NYNEX tariff filing,

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[1] The NYNEX Telephone Companies are New York Telephone Company and New England Telephone and Telegraph Company.

[2] ISDN services provide digital transmission over ordinary copper loops or over T-1 facilities. Basic Rate Interface ("BRI") ISDN service provides up to two voice grade equivalent channels and a "D" channel that can be used for data or packet switching. Primary Rate Interface ("PRI") ISDN provides up to 23 voice grade equivalent channels, plus a "D" channel that can transmit voice or data at speeds up to 64 kbps. FlexPath is a NYNEX brand name for a service that provides 24

the Common Carrier Bureau and the Commission interpreted the Commission's Part 69 access charge rules to require the LECs to apply a EUCL charge to each voice grade equivalent channel on such "derived channel" services.[3] However, the Commission recognized that the comments in the NYNEX tariff proceeding raised issues that should be considered in the context of a rulemaking proceeding. Accordingly, the Commission issued the *NPRM* to examine how to apply EUCL charges to services that permit multiple communications channels to be provided over a single facility.[4]

The Commission's current interpretation of its rules, which requires the LECs to apply a EUCL charge for each voice grade equivalent channel on a single facility, is not consistent with the way that common line costs are assigned to the interstate jurisdiction. This creates an imbalance between rates and costs that discourages demand for services that are provided over derived channel facilities, and it stands in the way of the introduction of advanced technologies into the telephone network. In particular, the assessment of a EUCL charge per derived channel has nothing to do with the amount of loop-related costs that are assigned to the interstate common line category, from which the EUCL rate is

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voice grade equivalent channels over a T-1 facility between a suitably-equipped central office and a customer's digital PBX. *See NPRM* at paras. 2-5.

[3] *See* NYNEX Telephone Companies, Revisions to Tariff FCC No. 1, Transmittal No. 116, *Memorandum Opinion and Order*, 7 FCC Rcd 7938 (Common Carrier Bureau 1992); NYNEX Telephone Companies, Revisions to Tariff FCC No. 1, Transmittal No. 116, *Order on Reconsideration*, FCC No. 94-356, released January 11, 1995, 10 FCC Rcd 2247 (1995).

[4] *See NPRM* at para. 15.

derived. The loop-related costs of ordinary "plain old telephone service," or "POTS" lines, are assigned to the interstate jurisdiction based on the average cost per working loop. The loop-related costs of derived channel services are classified as "wideband" in the separations rules, and they are directly assigned to the appropriate jurisdiction. Neither of these separations methods has anything to do with the number of channels.

The Commission should adopt a rule for the application of EUCL charges that would track the way that loop-related costs are assigned to the interstate common line category. The best way to accomplish this would be to adopt a rule that would apply one EUCL charge per network service interface. Such a rule would be easy to administer and it would produce more economic pricing than the current rule.

II. The Commission Should Apply One EUCL Charge Per Service Interface.

A. EUCL Charges Should Be Applied So As To Ensure That The Rate Structure Reflects The Cost Structure.

In the *NPRM*, the Commission set forth a number of basic principles to guide its resolution of the issues in this proceeding, including (1) avoiding regulatory barriers to the development of new technologies; (2) avoiding measures that would reduce the level of nontraffic sensitive ("NTS") costs that are now recovered through flat-rated charges, such as the EUCL charge; and (3)

consideration of the effects on competition and universal service.[5] The Commission was particularly concerned about actions that might reduce EUCL charges for business customers, but not for residential customers, and that might increase carrier common line ("CCL") charges, which could adversely affect competition among interexchange carriers ("IXCs") and which could increase bypass of the switched network.

This approach will not accomplish the Commission's goals in developing access charges. The Commission should not treat application of EUCL charges as a policy issue wherein the balance of impacts on various social policies and industry groups is paramount. EUCL charges were originally established to eliminate the uneconomic practice of applying usage-based CCL charges to the recovery of the interstate portion of NTS loop costs. Recovery of NTS costs through usage-based rates causes the LECs to under-recover their loop-related costs from low-volume customers and to over-recover loop-related costs from high-volume customers. The over-recovery from high volume customers gives IXCs an incentive to avoid using the switched network to reach those customers, either by using the LECs' Special Access services or by using the bypass services of competitive access providers ("CAPs"). EUCL charges were designed to address this uneconomic pricing practice, not to achieve pre-ordained impacts on various industry segments.

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[5] *See NPRM* at paras. 16-20.

Ideally, all loop-related costs should be recovered through flat-rated charges. The Commission originally intended to transition from CCL charges to EUCL charges for recovery of all loop costs. However, due to congressional concern, the Commission stopped at a $6.00 limit for the multiline business EUCL charge and it phased in a $3.50 limit for single line business and residential EUCL charges. These limits caused a significant portion of common line costs to continue to be recovered through the CCL rate. Recovery of a portion of NTS costs through the usage-based CCL charge created a continuing uneconomic incentive for bypass, which can only be cured when all NTS costs are recovered through flat-rated charges.

Although the phase-in of EUCL charges produced significant benefits in terms of greatly reduced access charges, stimulation of long distance calling, and improvements in long distance competition, these benefits were the result of economically efficient pricing, not of pre-ordained policy goals. By bringing rates closer to costs for high volume customers, the EUCL charges and the resulting CCL charge reductions stimulated demand and increased productivity in the network. Thus, the focus in this investigation should be on developing an economically efficient rate structure, not to fine-tune the effects of rate changes on various constituencies. A weighing of public benefits will not result in an efficient rate structure; but an efficient rate structure will produce public benefits.

For example, the Commission is considering how many EUCL charges to apply to PRI ISDN services. The Commission currently interprets its rules to require up to 24 EUCL charges per ISDN line. If the Commission changed its rules to apply fewer EUCL charges per PRI line, the price cap formula could cause the CCL rate to increase. While this could cause long distance rates to increase, such an increase is not necessarily undesirable if it would avoid uneconomic pricing of ISDN services that would seriously discourage demand for such services.

Reductions in access charges and associated reductions in long distance rates only produce public benefits if the rates allow the LECs to recover their costs in an economically efficient manner. For instance, if the Commission wanted to reduce CCL charges even further, it could apply 48 EUCL charges per PRI line. This would stimulate long distance usage, but it would discourage customers from purchasing PRI services even where the services would meet their needs and where lower rates would still allow the LECs to recover the costs of serving PRI customers.

Therefore, the Commission's focus should be on determining how many EUCL charges are required to produce cost-based rates for derived channel services such as PRI. As NYNEX will demonstrate below, the number of EUCL charges that would allow recovery of interstate PRI costs is far less than 24.

B. Where Costs Are Assigned On An Average Cost Per Loop, EUCL Charges Should Be Assigned To Services Based On The Number Of Loops.

The Commission current interpretation of its Part 69 rules, which requires the LECs to assess a EUCL charge for each derived channel, has nothing to do with how costs are assigned to the interstate jurisdiction or with how costs are incurred for a particular service. It is based solely on a legal definition of the term "line." Section 69.104 of the Commission's rules states that a EUCL charge shall be assessed upon end users "per line" that a customer uses to subscribe to a LEC's local exchange telephone service. The Commission relied upon the definition of "subscriber line or exchange line" in the glossary to its Part 36 Separations rules to define "line" for Part 69 purposes.[6] This definition states that a line is "a communication channel between a telephone station, PBX or TWX station and the central office which serves it." Therefore, the Commission found that one EUCL should be applied per communications channel on services such as ISDN. For basic rate interface ("BRI") ISDN, which can provide up to two voice-grade channels on a single copper loop, up to two EUCL charges would apply; for PRI ISDN, which provides up to 24 voice grade channels on a T-1 digital facility, up to 24 EUCL charges would apply.[7]

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[6] *See NPRM* at para. 11.

[7] A T-1 facility consists of two copper loops over which digital transmissions are used to provide 24 voice grade channels or 23 voice grade channels and a "D" channel that can transmit voice or data at speeds up to 64 kbps.

Although this approach relies upon the Part 36 definition of "exchange line," it has nothing to do with the way that the Part 36 Separations rules allocate costs to the Part 69 common line category, and ultimately to the calculation of the EUCL charge. Interstate common line costs are derived from the apportionment of Exchange Line Cable and Wire Facilities ("C&WF") - Category 1 in Part 36.[8] The Part 36 rules require the LECs to determine the average cost per working loop in each study area by dividing the total cost of Exchange Line C&WF Category 1 by the sum of working loops in subcategories 1.1 (state private lines and state WATS lines), 1.2 (interstate private lines and interstate WATS lines) and 1.3 (subscriber or common lines that are jointly used for local exchange service and exchange access for state and interstate interexchange services).[9] The average cost per loop times the number of loops in each category determines the total amount of costs assigned to each category.[10] Part 36 then separates the category 1.3 costs between state and interstate jurisdictions based on the interstate subscriber plant factor ("SPF") factor, which is currently "frozen" at 25%.[11] The LECs use the interstate allocation of common line costs to establish their EUCL charges in the annual price cap filings, which affects the price cap formula for the maximum CCL charges.[12]

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[8] *See* 47 C.F.R. Section 36.154(a).

[9] *See id.*

[10] For a LEC such as NYNEX, 95% of loop costs end up in category 1.3, common line.

[11] See 47 C.F.R. Section 36.154(c).

[12] *See* 47 C.F.R. Section 61.46.

Thus, EUCL charges have nothing to do with the number of channels that are provided over a particular service; they are solely a function of the number of loops. If a service uses two loops, and if those loops show up in the loop count used for Part 36 purposes, it causes twice as much costs to be allocated to the interstate common line category as a service which uses one loop.

For these reasons, the Commission's current rule for the application of EUCL charges has nothing to do with costs. BRI ISDN service, which can be assessed up to two EUCL charges, has only one loop. PRI ISDN service, which can be assessed up to 24 EUCL charges, has only two loops. Therefore, the Commission's current rule requires the LECs to charge far more than the interstate NTS costs of serving an ISDN customer. Moreover, as we demonstrate below, the separations rules for wideband services such as PRI ISDN create an even greater inconsistency between the costs that are allocated to the interstate jurisdiction and the charges that are applied.

Such uneconomic pricing discourages use of ISDN services, to the detriment of the LECs, their customers, and ultimately to the development of high technology communications services. Fundamental principles of economic pricing in these circumstances require the Commission to allow the LECs to apply EUCL charges on the basis of the number of loops that are used for each service. In the case of BRI ISDN service, only one EUCL per service is appropriate. For services such as PRI ISDN and FlexPath service, which use two loops, no more than two EUCL charges per service would be appropriate.

However, as we explain below, the costs of these services are categorized as "wideband" in the Part 36 Separations rules, and they are subject to different separations procedures than other loop-related services. Due to the way that wideband costs are separated, a case can be made that no EUCL charges should apply to such services. In any event, the Commission's current rule, which applies up to 24 EUCL charges for wideband services, clearly is unreasonable, because it has no basis in cost.

C. Services Provided Over Wideband Facilities Should Be Charged No More Than One EUCL Charge.

There is no cost basis for applying even one EUCL charge per service provided over wideband loop facilities. Although wideband services such as PRI ISDN and FlexPath use T-1 technology, which is normally based on two copper loops per service, none of the loop-related costs are normally allocated to the interstate jurisdiction for these services.

T-1 loop facilities are classified as "Wideband and Exchange Trunk C&WF - Category 2" in the separations rules.[13] Section 36.155(a) of the Commission's separations rules states that Wideband and Exchange Trunk C&WF - Category 2 costs shall be directly assigned where feasible. If direct assignment is not feasible, costs shall be apportioned between the state and interstate jurisdictions on the basis of relative number of minutes of use. Neither of these separations rules has anything to do with loops.

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[13] *See* 47 C.F.R. Section 36.152(a)(2).

NYNEX follows the first method and directly assigns the costs of wideband Category 2 facilities to the appropriate jurisdiction. Because PRI ISDN and FlexPath services are provided out of NYNEX's state tariffs, NYNEX directly assigns the loop costs associated with these services to the state jurisdiction, and none of these costs are assigned to the interstate jurisdiction.[14]

In addition, the costs of the circuit equipment in the central office that are dedicated to these services are also directly assigned to the state jurisdiction. Circuit equipment which supports wideband loop services is classified as Wideband Exchange Line Circuit Equipment - Category 4.11 in the Commission's separations rules.[15] Section 36.126(c)(1) states that Category 4.11 costs shall be apportioned between the state and interstate jurisdictions in the same manner as the related wideband exchange line C&WF as provided in Section 36.155. Therefore, since NYNEX directly assigns wideband loop costs for PRI ISDN and FlexPath service to the state jurisdiction, it must also directly assign wideband circuit equipment costs for these services to the state jurisdiction.

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[14] If NYNEX directly assigned these costs to interstate, they would not assigned to the common line category. Only Category 1 C&WF costs are assigned to common line. Under Section 69.305(d), Category 2 C&WF costs that are directly assigned to the interstate jurisdiction would be assigned to the Special Access category. Even if a LEC followed the alternative procedure in Section 36.155(a) and apportioned Category 2 C&WF costs between state and interstate jurisdictions based on minutes of use, none of these costs would be assigned to the common line category. Category 2 C&WF costs that are allocated to interstate based on minutes of use are assigned to the Local Transport category. *See* 47 C.F.R. Section 69.305(b).

[15] *See* 47 C.F.R. Section 36.126(b)(1).

For this reason, application of multiple EUCL charges to wideband services such as PRI ISDN and FlexPath causes a misalignment of revenues and costs. Loop-related costs for these are assigned to the state jurisdiction, but revenues are recovered in the interstate common line rate elements based, in part, on demand for these services. This misalignment is exacerbated by the Commission's decision to require the LECs to apply up to 24 EUCL charges to these types of services.

To be consistent with its cost allocation rules, the Commission should apply no EUCL charges to wideband exchange services such as PRI ISDN and FlexPath. Since the loop-related costs for these services are directly assigned to the state jurisdiction, they should be recovered in state rates. The state exchange rates can easily be set at a level that would recover all of the costs that are directly assigned to the state jurisdiction. There is no need to tack on interstate EUCL charges to such services.

Recovery of wideband loop costs solely through rates in the jurisdiction to which they are directly assigned also would avoid the need to create complicated, and essentially artificial, procedures for applying EUCL charges based on derived channels, facilities, bandwidth, cost ratios, or other options described in the *NPRM*.[16] Such procedures are likely to have unintended effects by causing under-pricing or over-pricing of particular services. Moreover, it is difficult to develop a rule that would not cause problems in the future as the

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[16] *See NPRM* at paras. 24-34.

LECs develop new technologies that provide increased bandwidth and a wider variety of services.

For these reasons, the Commission should not adopt a rule that would apply more than one EUCL charge per ISDN or FlexPath service. Although even one EUCL charge is economically unwarranted where a service uses wideband subscriber line facilities, a rule that applied one EUCL charge per service that the LECs provide out of their state exchange tariffs would be easy to administer, and it would cause little disruption to the LECs' current billing practices. Therefore, there would be a rational basis for applying one EUCL charge per service, as described below in NYNEX's proposal for revisions to the Commission's Part 69 rules.

D. Derived Channel Technologies That Are Part Of The Infrastructure, But That Do Not Affect The User Interface, Should Not Affect The Number Of EUCL Charges.

The Commission questions whether the rule for application of EUCL charges to derived channel services such as ISDN and FlexPath should apply to all local loops that are provided over derived channel technology, even if the derived channel technology is not apparent to the end user.[17] An example of such technology is subscriber line carrier 96 ("SLC 96") equipment, which is used in the feeder plant between the central office and the drop wire to allow a LEC to multiplex up to 96 channels on twisted copper pairs.

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[17] *See id.* at para. 35.

The Commission should not apply EUCL charges to derived channels that are solely within the LECs' network infrastructure. The LECs introduce technology such as SLC 96 equipment to make the feeder plant more efficient. It is not perceptible to the end user; the facilities are de-multiplexed to individual loops prior to the end user interface. Such technology helps to reduce the average cost per loop, which in turn reduces the rates for all subscribers. It would be impossible to identify the customers whose loops are served by this technology for purposes of applying different end user rates, and - more importantly - it would be inappropriate to do so.[18] The decision to employ technology such as SLC 96 equipment is made by the LEC, not by the end user, and it should not affect the end user's rates.

E. The Commission Should Adopt A Rule For Applying EUCL Charges That Is Based On The Interface That Is Provided To The End User.

The Commission should adopt a rule for application of EUCL charges that would be easy to administer and that would not cause an excessive number of charges to be applied to services provided over wideband or derived channel technologies. The Commission's current interpretation of its rules causes up to 24 EUCL charges to be applied to services, such as PRI ISDN, that are provided

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[18] The LECs apply access charges based on the services ordered and rendered, as reflected in the billing system. Information about SLC 96 deployment is contained in the engineering records, and those records do not track such deployment by end user or by services ordered by end users.

over T-1 facilities. As the LECs introduce new services over coaxial cable or fiber optic facilities, such an interpretation could produce irrational results. For example, coaxial cable could provide up to 500 video/audio channels, and a single DS3 fiber optic facility can provide up to 672 channels. Obviously, 500 or 672 EUCL charges would far exceed the costs of such facilities.[19]

The Commission should also adopt a rule that would apply the same EUCL charges per service regardless of whether a LEC applies derived-channel technologies in the network that are transparent to the user, such as SLC 96 equipment in the feeder plant. It would be impossible for the LECs to track the facilities that are deployed for each customer, and it would be difficult for customers to verify, much less understand, differences in rates based on network configurations that are entirely internal to the LEC. Therefore, the EUCL charge should depend on the service ordered by the customer, not the network that is deployed by the LEC for a particular customer.

The Commission should also adopt a rule for applying EUCL charges that would depend on the number of network interfaces provided over a particular service. An entirely service-driven definition could cause confusion, because the LECs might define services differently. For instance, a particular LEC could decided to provide the first 10 channels on T-1 ISDN facilities as one service, and the next 10 channels as a separate service, while another LEC could decide to

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[19] 672 multiline business EUCL charges at the $6.00 maximum rate equals $4,032. In contrast, NYNEX charges $1,674 for an undiscounted DS3 Special Access Channel Termination, which is essentially a fiber loop.

treat ISDN as one service with a separate charge for each channel that is activated. The application of EUCL charges should not depend solely on the label that a LEC gives to a particular functionality.

Therefore, the Commission should adopt a rule that applies one EUCL per network interface. For example, an ordinary residential or business exchange service would have one EUCL, because the LEC provides only one network interface to the subscriber regardless of whether the LEC incorporates derived channel technologies in the facilities between the customer premises and the central office. BRI ISDN service would also have one EUCL, even if two voice channels were activated, because there would still be only one interface on the customer's premises; the customer must attach its own customer premises equipment ("CPE") to derive the two voice channels in addition to the signaling/data channel. PRI ISDN and FlexPath would also have one EUCL each, because the T-1 interface at the customer's premises must also be attached to customer-provided CPE to de-multiplex the interface into up to 24 separate voice/data channels. Where the LEC provides the multiplexing, such as where the LEC brings fiber optic facilities into an office building and then installs its own multiplexing equipment to derive separate DS1 and DS0 channels for distribution within the building, the number of EUCL charges would depend upon the number of DS1 and DS0 terminations that the LEC delivered to the network interfaces at the customers' premises.

Such a rule would be easy to administer. The service definition would specify the interface that the LEC provides to the customer, and the customer's order, which would list the interfaces requested, would provide a clear basis for determining the number of EUCL charges to be applied.

F. Other Proposals Have Serious Drawbacks.

The other options for applying EUCL charges that are described in the *NPRM* have serious drawbacks.

One EUCL per channel. As noted, this approach causes an excessive number of EUCL charges to be applied to services that are provided over wideband facilities. BRI ISDN customers would pay up to two EUCL charges, even though the service uses only one loop. It also raises the question of how to apply EUCL charges where derived channel facilities are utilized within the LEC's network, such as SLC 96 equipment.

One EUCL per facility. Under this approach, customers would pay one EUCL per derived channel service connection.[20] While this option could be defined consistently with the NYNEX proposal to apply one EUCL per service interface, it could also be applied per underlying facility, such as per copper loop. Under the latter interpretation, BRI ISDN service would include one EUCL, because it uses one copper loop, while PRI ISDN, which uses two loops per T-1 facility, would include two EUCL charges. This methodology for

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[20] *See NPRM* at para. 24.

applying EUCL charges would not track the assignment of costs for wideband facilities, and it would raise questions as to the application to coaxial cable or fiber optic facilities.[21]

EUCL charges based on the ratio of the costs of a derived channel service to the costs of an ordinary loop.[22] This approach has several disadvantages. First, as it is described by the Commission, it would not track the way that the costs of derived channel services are assigned to the interstate jurisdiction. Second, it would cause the number of EUCL charges for a particular type of service to vary among the LECs depending upon the types of equipment that they use, the geographic areas that they serve, and the way that they design their networks. Third, as proposed by the Commission, it would incorporate the costs of circuit equipment that is currently assigned to the Local Switching category, which would produce further imbalances between cost assignments and revenue recovery. Finally, it would complicate the

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[21] *See id.* at para. 25. It should be noted that, in discussing this option, the Commission mischaracterizes the LEC network in stating that "LECs typically run two copper pairs to each residence, and thus the use of a second line does not require additional plant investment." *Id.* at para. 26. The LECs do not always, or even most of the time, run two lines to a residence where only one is in service. Moreover, although the drop wire to the home may have two lines, the LECs do not install duplicate feeder plant from the pole to the central office. Rather, they size the feeder plant for the amount of service provided. In addition, a second, unused drop wire line is not considered a "working loop," and therefore it does not cause costs to be allocated to the interstate jurisdiction, or ultimately to the EUCL rate, except insofar as it is part of the average cost per loop for all customers.

[22] *See NPRM* at para. 27.

development of EUCL rates in the annual access tariff filings, which is currently based on a projection of common line base factor portion costs.

Apply a reduced number of EUCL charges to derived-channel services and increase the EUCL rate. This option is designed solely to balance the impacts on the rate levels for derived channel services with the impact on the CCL rate. It has nothing to do with costs or cost recovery. It simply allows the Commission to manipulate the rate impacts while ignoring whether the resulting prices encourage efficiency. As such, it would not produce the public benefits that the Commission seeks.

Allow the LECs to apply fewer EUCL charges to derived channel services but to adjust the price cap rules to prevent an increase in the CCL charge. This option is likely to appeal to access customers, because it requires the LECs to "eat" the revenue losses that would occur if they "voluntarily" reduced the number of EUCL charges that they applied to derived channel services. However, the option is not likely to withstand judicial scrutiny. The Commission cannot prescribe a rate structure that applies unreasonably large numbers of EUCL charges to derived channel services and then lets the LECs take the loss if customers will not pay the excessive charges. Section 205 of the Act permits the Commission to prescribe "just and reasonable" rates. It does not permit the Commission to prescribe rates that are designed to deny the LECs recovery of their costs.

III. The Commission Should Consider Alternative Methods Of Recovery Of Nontraffic Sensitive Costs.

The *NPRM* also solicits comments on the need for additional changes to the way that the LECs recover the interstate assignment of local loop costs and other costs, such as local switching costs, that the parties view as NTS.[23] The Commission recognizes that this may be necessary to reduce support flows that inflate the LECs' access rates and that encourage bypass.[24]

In its Petition for Waiver to implement the Universal Service Preservation Plan ("USPP"), NYNEX demonstrated that the Commission's separations rules assign a significant portion of NTS central office equipment costs to the Local Switching category, where those costs are recovered through usage-based charges.[25] This central office equipment is used to support the local loop. In the USPP, NYNEX proposed to remove the NTS central office equipment costs from the Local Switching per-minute rate and to recover these costs from the IXCs through a flat rate per presubscribed line. While the Commission approved many parts of the NYNEX waiver request, it did not approve the shift in recovery of Local Switching costs, finding that the record was insufficient to determine the amount of central office switching costs that are NTS.[26]

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[23] *See id.* at para. 36.
[24] *See id.* at para. 14.
[25] *See* NYNEX Transition Plan to Preserve Universal Service in a Competitive Environment, Petition for Waiver, filed December 15, 1993, Exhibits 4 & 5.
[26] *See* NYNEX Telephone Companies Petition for Waiver, Transition Plan to Preserve Universal Service in a Competitive Environment, *Memorandum Opinion and Order*, FCC 95-185, released May 4, 1995, at para. 51.

Nonetheless, as the Commission notes, there is still a need to address the issue of recovery of NTS switching costs.

Another example of interstate NTS costs that are being recovered incorrectly (and for which an alternate recovery means needs to be devised) is the interstate assignment to Common Line of costs associated with public telephone loop costs. Currently, over $50 million in NYNEX public telephone NTS costs are recovered in the per-minute CCL rate. While this condition is widely recognized, and while at least one LEC has proposed a solution,[27] it also has not been addressed by the Commission.

The Commission should investigate these issues, either in this rulemaking or in a broader investigation of access charge reform, so that the LECs can reduce the uneconomic practice of recovering NTS costs through usage-based access charges.

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[27] *See* Petition of Ameritech for Waiver of Part 69 of the Commission's Rules to Restructure Its Rates to Establish a Pay Telephone Use Fee Rate Element, filed April 26, 1995.

IV. Conclusion

The Commission should adopt a rule for application of EUCL charges that would produce reasonable results for all services, including those based on copper loops, digital technologies, coaxial cable, fiber optic, and any new technologies that might be implemented in the future. The Commission's current position that a EUCL charge should be applied to each derived channel is not cost-based, and it will frustrate the Commission's desire to see greater deployment of advanced technologies in the telephone network. The Commission should adopt a new rule that would apply one EUCL per network interface.

Respectfully submitted,

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